

EXHIBIT 1

(Part 1 of 2)

B-57139

Agreement of Cotenancy
in the
Castle Rock Junction-Lakeville 230-kV
Transmission Line

among
Pacific Gas and Electric Company
State of California
Department of Water Resources
Northern California Power Agency
City of Santa Clara

June 1, 1984

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Agreement of Cotenancy
in the
Castle Rock Junction-Lakeville 230-kV
Transmission Line

THIS AGREEMENT OF COTENANCY IN THE CASTLE ROCK JUNCTION-LAKEVILLE 230-kV TRANSMISSION LINE is entered into as of the 1st day of June, 1984, by and between Pacific Gas and Electric Company (PGandE), the State of California Department of Water Resources (CDWR), the Northern California Power Agency (NCPA) and the City of Santa Clara (Santa Clara), (Cotenant or Cotenants), and is as follows:

Recitals

PGandE is presently constructing on behalf of the Cotenants a 230-kV double circuit transmission line (New Line) between Castle Rock Junction and its Lakeville Substation in The Geysers area.

PGandE has entered into separate Interconnection Agreements with each of CDWR, NCPA, and Santa Clara which conferred upon those Cotenants a right to participate in the ownership of the New Line as tenants-in-common and such Cotenants have exercised such rights.

The Cotenants have entered into the Sharing Agreement to allow the Cotenants other than PGandE to commence payment of their respective shares of the Cost of the New Line and to make contributions-in-aid-of-construction for the Associated Facilities in proportion to their Ownership Interests.

The Cotenants desire to set forth their rights and obligations as tenants-in-common of the New Line and for the use, operation and maintenance of the New Line, Associated Facilities, and Land Rights.

The Cotenants intend this Agreement to supercede the Sharing Agreement.

1.0 Definitions

The following terms, when used in this Agreement with initial capitalization whether in the singular or plural, shall have the following meanings.

1.1 Addition and Betterment - A capital improvement, the primary aim of which is to make the property affected more useful, more efficient, of greater durability or of greater capacity.

1.2 Associated Facilities - Equipment and facilities that are not a part of the New Line as

such but which are installed in order to integrate it with PGandE's system.

1.3 CEC - California Energy Commission or its successor agency.

1.4 CPUC - California Public Utilities Commission or its successor agency.

1.5 Capital Replacement - A retirement unit that is substituted for another such retirement unit, as the term "retirement unit" is defined in the Federal Energy Regulatory Commission List of Retirement Units for Use in Connection with Uniform System of Accounts Prescribed for Public Utilities and Licenses, or its successor document.

1.6 Coordinating Committee - The Committee formed pursuant to Article 15.0.

1.7 Cost - The costs of the appropriate Cotenant associated with the Line Circuits and Associated Facilities including, but not limited to: all capital expenditures, expenses of operation, maintenance, administrative and general expenses, taxes, an allocation of fixed charges on general

plant and common utility plant, labor and payroll taxes, materials and supplies, transportation, stores and tool expenses, supervision and overheads, depreciation, an allowance for workers' compensation, and public liability and property damage insurance, as determined by PGandE in accordance with the FERC Uniform System of Accounts as may be amended or superseded from time to time. The appropriate components of costs, as defined herein, shall be applied for the particular service or transaction performed. The factor for determining PGandE's cost of capital shall be equal to the rate of return on investment base as most recently allowed by the FERC. The factor for determining the cost of capital for a Cotenant other than PGandE shall be equal to the rate of interest payable by such Cotenant with respect to its most recent issue of debt securities having a maturity of no less than five (5) years, taking into consideration any original issue discount. No rate of return shall be included in any charge assessed on the portion of any facilities to the extent such facilities are financed by one or more contributions-in-aid-of-construction.

1.8 Cotenant - CDWR, NCPA, PGandE, Santa Clara and any transferee that becomes a Cotenant under Section 2.4.3.

1.9 FERC - Federal Energy Regulatory Commission or its successor agency.

1.10 Firm Transmission Entitlement - The firm entitlement of a Cotenant to the use of transmission capacity on a Line Circuit or Other Circuit or combination thereof as provided in Section 7.1.

1.11 Good Utility Practice

1.11.1 With respect to actions or inactions by any Cotenant other than CDWR, those practices, methods and equipment, including levels of reserves and provisions for contingencies, as modified from time to time, that are at least as good as those commonly used in the Service Area to operate, reliably and safely, electric power facilities to serve a utility's own customers dependably and economically, with due regard for the conservation of natural resources and the protection of the environment of the Service

Area; provided, that such practices, methods and equipment are not unreasonably restrictive.

1.11.2 With respect to action or inactions by CDWR, the then current practices, methods and equipment generally used by electric utilities, which operate primarily in the State of California, for the purpose of providing economic, safe and reliable service to their own customers, with due regard for the conservation of natural resources and the protection of the environment.

1.12 Interconnection Agreements - The Comprehensive Agreement between the State of California Department of Water Resources and PGandE executed April 22, 1982, the Interconnection Agreement between PGandE and the City of Santa Clara effective October 27, 1983, the Interconnection Agreement between PGandE and the Northern California Power Agency, City of Alameda, City of Biggs, City of Gridley, City of Healdsburg, City of Lodi, City of Lompoc, City of Palo Alto, City of Roseville, City of Ukiah and Plumas Sierra Rural Electric Cooperative effective September 14, 1983, and any interconnection agreement

between PGandE and another entity that becomes a Cotenant, as such agreements may be amended from time to time.

1.13 Lakeville-Sobranite 230-kV Line - For purposes of Article 8.0, that 230-kV transmission line and associated facilities included in "Phase II Construction" as shown in Appendix A.

1.14 Land Rights - All rights, including easements, rights-of-way, or fee title in real property necessary for the construction, use, operation, and maintenance of the New Line, and the Associated Facilities.

1.15 Line Circuit - Either Line Circuit No. 1 or Line Circuit No. 2.

1.16 Line Circuit No. 1 - The three-phase, 230-kV circuit shown in Appendix A that, as of the initial operation date of the New Line, serves PGandE's Geysers Unit No. 14.

1.17 Line Circuit No. 2 - The three-phase, 230-kV circuit shown in Appendix A that, as of the initial operation date of the New Line, serves PGandE's Geysers Unit No. 9.

1.18 New Line - The double-circuit, 230-kV transmission line now being constructed between PGandE's tower No. 0/1 at Castle Rock Junction in The Geysers area and the circuit breaker structure at Lakeville Substation shown in Appendix A. The facilities include tower No. 0/1 at Castle Rock Junction, the overhead line with bundled 2300-kcm aluminum conductors, the associated pipe-type underground circuits with 3500-kcm aluminum cables, all conductors, towers, related hardware and any Capital Replacements and Additions and Betterments thereto, but exclude the circuit breaker structure at Lakeville Substation and any Land Rights. The New Line constitutes a portion of the Line Circuits, as shown in Appendix A.

1.19 Operating Emergency - An unplanned event, series of events, or circumstance, which requires the taking of immediate action (i) to preserve, maintain, or reestablish the safety, integrity, or operability of the Line Circuits, Other Circuits, or Associated Facilities or the facilities of any Cotenant interconnected with the Line Circuits, Other Circuits, or Associated Facilities; (ii) to protect the health or safety of employees or the public; or (iii) to prevent or minimize any significant adverse environmental effects.

1.20 Other Circuit - Either Other Circuit No. 1 or Other Circuit No. 2, or any future 230-kV transmission circuit other than the Line Circuits, which circuit is operated by PGandE in The Geysers area and interconnects with PGandE's backbone transmission system.

1.21 Other Circuit No. 1 - The three-phase, 230-kV circuit shown in Appendix A that, as of the initial operation date of the New Line connects PGandE's Geysers Unit No. 5 with PGandE's Fulton Substation.

1.22 Other Circuit No. 2 - The three-phase, 230-kV circuit shown in Appendix A that, as of the initial operation date of the New Line, connects PGandE's Geysers Unit No. 17 with PGandE's Fulton Substation.

1.23 Ownership Interest - A Cotenant's ownership share in the New Line as provided and adjusted in Section 2.2.

1.24 Service Area - That area within the exterior geographic boundaries of the several areas electrically served at retail, now or in the future, by PGandE, and those areas in northern and central California adjacent thereto.

1.25 Sharing Agreement - The Agreement for Sharing of Costs for Construction of the Castle Rock Junction-Lakeville 230-kV Transmission Line and Associated Facilities, executed as of May 21, 1984 by PGandE, CDWR, NCPA and Santa Clara.

1.26 Willful Action - Willful action as defined in Section 12.6.

2.0 Ownership Interests

2.1 Undivided Interests. Each Cotenant owns an undivided interest in the New Line as a tenant-in-common as provided in this Article 2.0. Cotenants other than PGandE shall have no ownership in the Associated Facilities or the Land Rights; provided, however, that unless and until its Ownership Interest is terminated as provided in this Agreement each Cotenant shall have such rights to the benefit of the Land Rights and such rights to use the Associated Facilities as may be necessary to make use of its Firm Transmission Entitlement, pursuant to this Agreement.

2.2 Initial Ownership Interests and Subsequent Adjustments. The initial rating of the New Line is 1,206 MW with each Line Circuit rated at 603 MW. The initial Ownership Interest of each Cotenant is as follows, subject to adjustment as provided in this Section 2.2:

	Ownership Interests	
	(Megawatts)	(Percent)
CDWR-	165.0	13.68
NCPA-	49.9	4.14
PGandE-	931.0	77.20
Santa Clara-	60.1	4.98
Total	1206.0	100.00

2.2.1 The Ownership Interests shall be determined as follows:

2.2.1.1 For PGandE, the Ownership Interest in megawatts is equivalent to the capacity rating of the New Line minus the sum of the Ownership Interests in megawatts of the Cotenants other than PGandE.

2.2.1.2 Ownership Interests in percent are determined for each Cotenant by the following equation:

$$\text{Ownership Interest in Percent} = \frac{100 \times \text{Ownership Interest in MW}}{\text{Capacity Rating of New Line}} \%$$

2.2.2 Ownership Interests shall be adjusted as provided in this Section 2.2.2. For purposes of payment under Article 5.0, adjustments of Ownership Interests shall be deemed to take effect on the first day of the calendar month in which the transaction or change specified in this Section 2.2.2 takes place.

2.2.2.1 Within sixty (60) calendar days of executing this Agreement, a Cotenant may terminate its participation if unsatisfied regarding the quality of PGandE's title to the Land Rights pursuant to Section 3.2. In that case, the Ownership Interest of the terminating Cotenant shall revert to PGandE, and PGandE's Ownership Interest in megawatts and percent shall increase accordingly. The Ownership Interests of the other Cotenants that remain parties to this Agreement shall not change under this Section 2.2.2.1.

2.2.2.2 After this Agreement is executed, any Cotenant may divest itself of part or all of its Ownership Interest upon satisfaction of the standards described in Section 2.4.3.

The selling Cotenant thereby reduces or eliminates its Ownership Interest in megawatts and percent, and transfers a corresponding Ownership Interest to a new or existing Cotenant. The Ownership Interests of the Cotenants that do not participate in this transfer shall not change under this Section 2.2.2.2.

2.2.2.3 Following the first two (2) years of operation of the New Line and the monitoring thereof by PGandE as operator, the capacity rating of the New Line shall be adjusted pursuant to Section 4.7. At that time, PGandE's Ownership Interest in megawatts shall change in an amount equal to such adjustment in the capacity rating. The Ownership Interest in megawatts of the other Cotenants shall not be

changed. If the capacity rating of the New Line increases, PGandE's Ownership Interest in megawatts and in percent shall increase, and the other Cotenants' Ownership Interests in percent shall decrease. If the capacity rating of the New Line decreases, PGandE's Ownership Interest in megawatts and in percent shall decrease, and the other Cotenants' Ownership Interests in percent shall increase.

2.2.2.4 If Additions and Betterments that increase the capacity rating of the New Line are made pursuant to Article 10.0, the Ownership Interests of the Cotenants may change. For the Cotenants that participate in such Additions and Betterments, each of their Ownership Interests in megawatts shall increase to the extent of such participation; their Ownership Interests in percent may change accordingly on the basis of the new capacity rating of the New Line after

the Additions and Betterments become operational. For the Cotenants that do not so participate, each of their Ownership Interests in megawatts shall not be changed, while their Ownership Interests in percent shall decrease accordingly.

2.2.2.5 If a Cotenant elects to terminate its participation in this Agreement pursuant to Articles 11.0 and/or 14.0, the Ownership Interests in megawatts and in percent of the non-terminating Cotenants shall increase for those which elect to receive the Ownership Interest transferred by the terminating Cotenant. The Cotenants which receive no transferred Ownership Interest from the terminating Cotenant shall have no change in their Ownership Interests.

2.2.3 After notice to it of facts requiring a change in any Ownership Interest under this Section 2.2, PGandE shall calculate the adjusted Ownership Interests as necessary and notify the other Cotenants of the changes.

2.3 Waiver of Partition Rights. The Cotenants waive the right to partition the New Line.

2.4 Transfer of Ownership Interests. Ownership Interests shall be transferrable as follows:

2.4.1 A Cotenant may mortgage or transfer security interests in its Ownership Interest without the consent of the other Cotenants and without the lienholder becoming liable under this Agreement.

2.4.2 To the extent not prohibited or restricted by law, including but not limited to any prohibitions or restrictions contained in any document conveying a real property interest necessary to the construction or use of the Line Circuits or Associated Facilities, a Cotenant may, subject to Section 2.5, sell, assign, or transfer its Ownership Interest or the use of that interest, provided (i) the transaction does not substantially impair the non-transferring Cotenants' rights under this Agreement; and (ii) the transferee agrees in writing prior to or concurrently with its agreement to such transaction that it shall

not use PGandE's transmission system other than the Line Circuits, Other Circuits, or Associated Facilities, as such use is authorized in this Agreement, except to the extent it is entitled to such use under a contract with PGandE or an enforceable judgment or order by a court, regulatory commission or other body of competent jurisdiction. The transferring Cotenant must notify any transferee that transmission service may not be available from PGandE beyond Lakeville or Fulton Substations, as applicable.

2.4.3 All sellers, assignors, or transferors, including those under foreclosure, shall remain liable under this Agreement except to the extent that: (i) the transfer is a complete divestiture in perpetuity of all of the rights and obligations associated with the Ownership Interest in megawatts that is being transferred; (ii) the transferee is a financially responsible entity in the judgment of the non-transferring Cotenants which judgment shall be reasonably exercised; and

(iii) the transferee assumes in writing all obligations associated with the Ownership Interest in megawatts that is being transferred. If all standards described in this Section 2.4.3 are met, such transferee shall be a Cotenant.

2.4.4 A Cotenant shall notify the members of the Coordinating Committee of the particulars of any agreement under Section 2.4.2, except agreements subject to Section 2.5, within fourteen (14) calendar days after entering into such agreement or, if CDWR is the transferring Cotenant, within fourteen (14) calendar days after approval of the Agreement by the California Department of General Services. Such Cotenant shall inform PGandE's operating center by telephone or otherwise of such agreement before it becomes effective. The procedure for notifying the Cotenants regarding agreements subject to Section 2.5 shall be in accordance with Section 2.5.6.

2.5 Rights of Refusal. To the extent not prohibited or restricted by law and to the extent the transaction is other than for services lasting no

more than one (1) year, including all renewals and extensions with respect to substantially similar services, and involves (i) solely transmission service, or (ii) transmission capacity in excess of that reasonably necessary to transmit any power that may be generated under the rights transferred as part of the transaction, then:

2.5.1 The entire transaction shall be subject to a first right of refusal by the non-transferring Cotenants to purchase or acquire the rights to be transferred at substantially the same price and under substantially the same terms or, at the election of the exercising Cotenant, under substantially more favorable terms, as those contained in a bona fide offer by another entity, including another Cotenant, which the transferring Cotenant proposes to accept. After submission of such bona fide offer to the non-transferring Cotenants for their review and until the procedures described in Section 2.5.6 are complete or until such submission is withdrawn prior to the exercise of any right of refusal under this Section 2.5, the transferring Cotenant shall have no

right to accept another offer with respect to the rights to be transferred. Said first right of refusal shall be exercisable in proportion to the Ownership Interests of the exercising Cotenants, in the ratio such Ownership Interests bear to the total Ownership Interests of all non-transferring Cotenants.

2.5.2 In the event that the transferor is a Cotenant other than PGandE and any Cotenant elects not to exercise its right of first refusal under Section 2.5.1, then PGandE shall have the right of refusal to purchase or acquire the rights which were the subject of such election.

2.5.3 In the event the transferor is PGandE and any Cotenant elects not to exercise its right of first refusal under Section 2.5.1, then the remaining non-transferring Cotenants shall have the right of refusal to purchase or acquire in proportion to the Ownership Interests of such Cotenants in the ratio such Ownership Interests bear to the total Ownership Interests of said remaining,

non-transferring Cotenant, or as otherwise agreed by the remaining non-transferring Cotenants, the rights which were the subject of such election.

2.5.4 In the event any Cotenant elects not to exercise its right of refusal under Section 2.5.2 or 2.5.3, then the remaining non-transferring Cotenants shall have the right of refusal to purchase or acquire in proportion to the Ownership Interests of such Cotenants in the ratio such Ownership Interests bear to the total Ownership Interests of said remaining, non-transferring Cotenants, or as otherwise agreed by the remaining non-transferring Cotenants, the rights which were the subject of such election. If any Cotenant fails to exercise its right of refusal under this Section 2.5.4, then the remaining non-transferring Cotenants must mutually agree to purchase or acquire all of the rights which were the subject of such election or they shall be deemed to have waived all rights of refusal with respect to the transaction in question.

2.5.5 In exercising the rights of refusal described in this Section 2.5, each Cotenant agrees not to assert any preference which may otherwise be available to it over another Cotenant.

2.5.6 The transferring Cotenant shall provide written notice and deliver a complete copy of the agreement it proposes to enter into to each other Cotenant on the same working day ("Delivery Date"). Exercise of the rights described in this Section 2.5 shall be as follows: No later than thirty (30) calendar days after the Delivery Date, or, if not a working day, no later than the first working day thereafter, each Cotenant shall meet with or otherwise communicate its decision pursuant to Section 2.5.1 to the other Cotenants, and shall confirm such decisions in writing to the other Cotenants thereafter. No later than thirty-seven (37) calendar days after the Delivery Date, or, if not a working day, no later than the first working day thereafter, the Cotenants shall meet or otherwise communicate to the other Cotenants their decisions with regard to any

right of refusal described in Sections 2.5.2 and 2.5.3. Such decisions shall be confirmed in writing to the other Cotenants thereafter. No later than forty-four (44) calendar days after the Delivery Date, or, if not a working day, no later than the first working day thereafter, the Cotenants shall meet or otherwise communicate to the other Cotenants their decisions with regard to any right of refusal described in Section 2.5.4, or reach the mutual agreement described in the second sentence of Section 2.5.4, and meet or otherwise communicate to the other Cotenants their agreement. Such decisions or agreement shall be confirmed in writing to the other Cotenants thereafter. Failure by any Cotenant to communicate any decision or agreement as provided in this Section 2.5.6 shall be a waiver of all rights of refusal held by such Cotenant under this Section 2.5 with respect to the rights to be transferred.

2.5.7 In exercising any right of refusal described in this Section 2.5, the exercising Cotenant must either exercise that right of refusal with respect to all of the rights

available to it, or it shall be deemed to have waived all of its rights of refusal with respect to the transaction in question.

2.5.8 The transferring Cotenant shall deliver to the other Cotenants a copy of any agreement entered into by it which was subject to this Section 2.5.

2.6 Abandonment. No Cotenant shall be relieved of its obligations under this Agreement by abandoning its interest.

3.0 Land Rights

3.1 Land Rights Acquired By PGandE. PGandE has acquired Land Rights necessary for the Cotenants to make use of their Firm Transmission Entitlement as provided in Section 2.1.

3.2 Creation and Acquisition of Land Rights. PGandE's creation, acquisition, and agreement to give the other Cotenants the benefit of the Land Rights are without warranty or guarantee of any kind. Each other Cotenant shall satisfy itself in advance as to the quality of the title and its sole remedy, if

dissatisfied, is either to terminate its participation in this Agreement or to pursue changes to such title, provided, however, that PGandE shall exercise its best efforts to secure and maintain such Land Rights as may be necessary to enable PGandE, CDWR, NCPA, and Santa Clara to use their Firm Transmission Entitlements. PGandE has reviewed the easement documents and it is PGandE's good faith judgment that there are no restrictions which would prevent CDWR, NCPA or Santa Clara from receiving the benefits of the Land Rights as provided in Section 2.1, but that there may be restrictions with respect to transfers to some other entities of the right to receive the benefits of the Land Rights.

3.2.1 The right of termination under this Section 3.2 is only held by CDWR, NCPA and Santa Clara, and will cease sixty (60) calendar days after the first execution of this Agreement by any such Cotenant, and if not exercised, that Cotenant shall be deemed satisfied as to such title.

3.2.2 In the event of any termination under this Section 3.2, each Cotenant whose participation in this Agreement is terminated

shall, in consideration of the refund described in Section 3.2.3, transfer the interests and rights it holds in the New Line, Associated Facilities and Land Rights to PGandE immediately upon the effectiveness of such termination. Such transfer shall not be subject to Section 2.5.

3.2.3 In the event of any such termination, PGandE shall refund to that Cotenant any amounts theretofore received from the terminating Cotenant with respect to the Associated Facilities and the New Line, and Ownership Interests as specified in Section 2.2 shall be adjusted as appropriate. Such refund shall be made with interest calculated as defined in Section 6.6 from the date each payment was made under Section 4.2 to the date the refund is made.

3.3 Release of Lien. PGandE shall use its best efforts to obtain a release of any lien that might have been created by its First and Refunding Mortgage, dated December 1, 1920, as amended and supplemented, with respect to the Ownership Interests of any other Cotenant, if appropriate.

4.0 Sharing Initial Construction Costs of the
New Line and Associated Facilities

4.1 Initial Cost Estimate for the New Line.

PGandE currently estimates that the initial construction Cost of the New Line will be approximately \$45,500,000, excluding Costs of the Land Rights and Associated Facilities. PGandE shall revise this estimate from time to time as appears appropriate.

4.2 Cost-Sharing for the New Line. Subject to Sections 4.6 and 4.7, PGandE's share of the estimated initial construction Cost of the New Line is 77.2 percent, and the other Cotenants' shares total 22.8 percent. Payments shall be made monthly according to the schedule in Appendix B, with payments to cover the expected expenditures to be incurred in the pertinent month. Payments by check or wire transfer shall be received by PGandE not later than the first day of each month. If payments are not received in time, the provisions of Sections 4.11 and 6.4 apply. PGandE shall reconcile the payment schedule with the actual expenditures as soon as practicable after the receipt of such actual Cost information. PGandE shall make appropriate revisions in the schedule of payments so that the payment schedule will as much as

practicable reflect the actual amounts of money required by PGandE as such money is expended.

4.3 Payment for the Associated Facilities.

Cotenants other than PGandE shall bear a share of construction Costs of the Associated Facilities, in proportion to their Ownership Interests, by making payments to PGandE as contributions-in-aid-of-construction, and shall have the right to use such Associated Facilities as provided in Section 2.1 without additional charge other than as provided in Section 5.4.

4.4 Cost-Sharing for the Associated Facilities.

PGandE presently estimates that the initial construction Costs of the Associated Facilities will be approximately \$2,381,700. PGandE shall revise this estimate from time to time as appears appropriate. Subject to Section 4.7, the Cotenants agree to share these Costs on the basis of the Cotenants' initial Ownership Interests as stated above in Section 2.2. Thus, the contributions of Cotenants other than PGandE were:

CDWR-	\$325,817
Santa Clara-	118,609
NCPA-	98,602

4.5 Payments Made for the Associated Facilities.

The contributions-in-aid-of-construction in the amounts specified in Section 4.4 were paid to PGandE on June 1, 1984.

4.6 Preliminary Accounting. PGandE shall, subsequent to completion of the New Line and Associated Facilities, provide the other Cotenants a preliminary accounting of the actual Costs thereof to bring the payments in line with the initial Ownership Interest defined in Section 2.2. Statements shall be submitted that specify any additional payment or reimbursement necessary to achieve the appropriate allocation of payments by Ownership Interest based on the methodology used to prepare Appendix B. Such adjustments shall include interest as provided in Section 6.6 from the date of the final payment under Appendix B to the date of the adjustment statement.

4.7 Adjustment of Capacity Rating and Final Accounting. After monitoring the operation of the New Line for two (2) years from its date of operation and after the final accounting for the Costs of the New Line and Associated Facilities, PGandE shall revise the capacity rating of the New Line and will provide a final adjustment of Costs of the New Line

and Associated Facilities based on the methodology used to prepare Appendix B and on the revised New Line capacity rating. Each Cotenants' Ownership Interest shall be adjusted as provided in Section 2.2. Additional payments or reimbursements shall be made with interest as provided in Section 6.6, from the date of the adjustment statement in Section 4.6 to the date of the final adjustment statement prepared pursuant to this Section 4.7. The monitoring and rating of the New Line shall be done in accordance with Good Utility Practice. PGandE, as operator, has the sole right to establish the line rating. The Cotenants other than PGandE shall have the right to review the methodology and results of the line rating process. The capacity rating of the New Line after Additions and Betterments are made under Article 10.0 shall be adjusted in accordance with this Section 4.7.

4.8 Right to Review. Each Cotenant shall have the right to review the documents supporting the Costs billed in this Article 4.0, in accordance with Section 16.10, up to one (1) calendar year after receipt of the final accounting statement prepared pursuant to Section 4.7.

4.9 No Cost Guarantee. PGandE does not represent, agree, or guarantee that Costs of the New Line will not exceed its estimates by reason of price increases, human error, uncontrollable forces, or any other factor to which construction projects are subject.

4.10 Expected Completion Date of Construction. PGandE shall use its best efforts to continue constructing the New Line and Associated Facilities with a goal of completing them and putting them into full operation on or about March 1, 1985.

4.11 Consequences of Non-Timely Payments. If any Cotenant other than PGandE does not make any payment referred to in this Article 4.0 in a timely manner in accordance with Section 4.2, such Cotenant shall pay PGandE 100 percent of its share of the amount described in this Section 4.11 rather than 50 percent thereof as otherwise provided. Under existing tax law, all payments referred to in this Article 4.0 should be, in the opinion of all Cotenants, excludable from PGandE's gross income for federal, state, and/or local income tax purposes. If this turns out not to be the case and any or all of these payments are included in PGandE's gross income for

federal, state, and/or local income tax purposes, the Cotenants other than PGandE agree to pay PGandE, in proportion to their Ownership Interests, 50 percent of the following amount: The amount that PGandE's tax liability increases as a result of including any or all of such payments (plus any payments to be made by the other Cotenants to PGandE under this Section 4.11) in PGandE's gross income for tax purposes for each year, over the tax liability PGandE would have incurred in the same year without including such payments in PGandE's gross income, such amount to be adjusted to reflect any credits, deductions or other tax benefits taken or to be taken by PGandE in previous, current and future tax years for the Ownership Interests for which such payments were made. If after the adjustment, the amount becomes a negative figure, PGandE shall pay 50 percent of that amount to the other Cotenants in proportion to the Ownership Interests of each of the other Cotenants. No Cotenant makes any representation with respect to these tax risks, with respect to which each Cotenant has consulted its own tax counsel.

4.12 Nature of Agreement. The Cotenants intend that this Agreement shall constitute a sharing arrangement among the Cotenants for the cooperative

funding and construction of a new 230-kV transmission line and Associated Facilities in The Geysers area of Northern California. The Cotenants do not intend this Agreement to create a partnership for tax purposes or otherwise. If, however, any tax authority characterizes this Agreement as creating a partnership, the Cotenants hereby affirm that it is their intention, beginning with the first taxable year of the purported partnership, not to have such entity taxed as a partnership under either (a) Subchapter K of Chapter 1 of the Internal Revenue Code of 1954, as amended from time to time, or (b) comparable partnership provisions of federal, state or local tax laws. The Cotenants agree to execute such documents as may be necessary for tax purposes to effectuate this intention.

5.0 Cotenants' Payments for Costs of Operation, Maintenance, Replacement, and Additions and Betterments.

5.1 Annual Costs To Be Shared. Except as provided in Section 7.13, the Cotenants shall share the Costs of operation and maintenance, Capital Replacements, and Additions and Betterments to the Line Circuits and Associated Facilities as provided in this Article 5.0.

5.2 Sharing of Costs of Operating Emergencies. The Cotenants shall share the Costs of Capital Replacements associated with eliminating any Operating Emergency in proportion to their Ownership Interests pursuant to Section 6.3.3.

5.3 Sharing of Costs for Operation and Maintenance of the Line Circuits. The Cotenants other than PGandE shall pay an annual charge, in proportion to their Ownership Interests, for the operation and maintenance of the Line Circuits and PGandE's maintenance of the rights-of-way of the Line Circuits, as provided in and billed by PGandE under Section 6.2. PGandE owns, operates and maintains other 230-kV collector and tap lines that are interconnected with the Line Circuits but separate from them. Such collector and tap lines are not included as part of the Line Circuits for the purposes of Cost sharing under this Section 5.3.

5.4 Sharing of Costs for Operation, Maintenance and Replacement of Associated Facilities. Cotenants other than PGandE shall pay an annual charge to cover the Costs of owning, operating, maintaining, and making Capital Replacements to the Associated Facilities, in accordance with Section 5.7 and

Appendix C. The system average rate listed in Appendix C may be adjusted not more than once in each calendar year. Billings and payments shall be in accordance with Section 6.1. PGandE may revise Appendix C subject to filing with FERC pursuant to Section 16.4.2 of this Agreement to the extent FERC has jurisdiction.

5.5 Sharing of Costs for Capital Replacements and Additions and Betterments to Maintain Capacity of the New Line. Except to the extent such Costs are paid by an entity other than a Cotenant, the Cotenants shall share, in proportion to their Ownership Interests as of the date the work commences, the Costs resulting from (i) Capital Replacements to the New Line or any portion thereof; and (ii) Additions and Betterments to the New Line or Associated Facilities that do not increase the rated capacity determined pursuant to Section 4.7. Except with respect to an Operating Emergency under Section 5.2, PGandE shall (i) provide an estimate of the Costs that are expected to be incurred and (ii) bill the other Cotenants for their share of such Costs pursuant to Section 6.3. Any payments by Cotenants other than PGandE under this Section 5.5 with respect to the Associated Facilities shall be contributions-in-aid-of-construction.

5.6 Sharing of Costs for Additions and Betterments to Upgrade Capacity of the New Line. The Costs of any Additions and Betterments to the New Line or Associated Facilities under Article 10.0 shall be shared by the Cotenants in proportion to their right to the benefits of such Additions and Betterments as provided in Article 10.0. Billings and payments shall be in accordance with Section 6.3. Any payments by Cotenants other than PGandE under this Section 5.6 with respect to the Associated Facilities shall be contributions-in-aid-of-construction.

5.7 Adjustments to Annual Payment for Associated Facilities. With respect to the Associated Facilities, each Cotenant's initial capital payment, as a contribution-in-aid-of-construction and as adjusted pursuant to Section 4.7, is used as the basis for determining the billing amount for the annual charge described in Appendix C. PGandE shall adjust each Cotenant's capital payment for purposes of determining such billing amount in such a manner as to relieve the transferring Cotenant of liability for the payment of such billing amount to the extent Ownership Interests are transferred pursuant to Section 2.4.3. When such a transfer takes place and after the Coordinating Committee is appropriately

notified pursuant to Section 2.4.4, the transferor's capital payment shall be allocated for purposes of determining such billing amount between the transferor and the transferee in proportion to their Ownership Interests after the transfer. PGandE shall also adjust each Cotenant's capital payment for purposes of determining such billing amount when Additions and Betterments are made pursuant to Sections 5.5 or 5.6. Additional capital payments by the Cotenants for such Additions and Betterments to the Associated Facilities shall be added to the Cotenants' respective capital payments made to date. Both in the case of transfers and of Additions and Betterments, the new total of the capital payments shall be used as the basis for the calculation of the Cotenants' billing amount for the annual charge pursuant to Appendix C.

5.8 Effective Date of Ownership Interest for Billing Purposes. Each Cotenant's share of the Costs under Sections 5.1 through 5.4 shall be in accordance with its Ownership Interest in percent as of May 1 of the year for which such Costs are billed. No retroactive adjustments will be made to reflect any adjustment in Ownership Interests after May 1 of such year.

6.0 Billing and Payment

6.1 Billing for the Associated Facilities. PGandE shall bill the other Cotenants an annual charge for the Associated Facilities pursuant to Section 5.4. The first annual charge billing for each Cotenant other than PGandE shall be prorated by days for the period between and including November 4, 1984 and December 31, 1984. Each calendar year thereafter, PGandE shall bill the other Cotenants for the annual charge on or before the first calendar day in June, in conjunction with the billing under Section 6.2, and the Cotenants shall pay the annual charge on or before the first calendar day in August. The bill for the last annual charge shall similarly be prorated for the portion of the calendar year during which the Agreement is in effect.

6.2 Billing for Operation and Maintenance of the Line Circuits. The Cotenants agree that, for the purposes of this Agreement, \$343,000 represents, as of 1984, the basis for the calculation of annual payments (the "BCAP") to PGandE by the Cotenants other than PGandE for operation and maintenance of the Line Circuits. The Cotenants other than PGandE shall each make an annual payment to PGandE that is

calculated by multiplying the BCAP by such Cotenant's Ownership Interest in percent. The Cotenants agree that the BCAP for years after 1984 shall be adjusted each year in accordance with the following published indices (or appropriate successor indices):

Index 1 = Average Hourly Earnings for Production or Non-Supervisory Workers in Electric, Gas and Sanitary Services (SIC 49) in the State of California during the appropriate year, as most recently published (Bureau of Labor Statistics, U.S. Department of Labor, "Employment, Hours and Earnings -- States and Areas").

Index 2 = Average value of the Producer Price Index for Industrial Commodities during the appropriate year, as most recently published (Bureau of Labor Statistics, U.S. Department of Labor, "Producer Prices and Price Indexes").

The basis for calculation of annual payments for operation and maintenance ("BCAP") shall be adjusted each year as follows:

$$BCAP_n = BCAP_{n-1} \left(0.7 \frac{Index\ 1_{n-1}}{Index\ 1_{n-2}} + 0.3 \frac{Index\ 2_{n-1}}{Index\ 2_{n-2}} \right)$$

where n = year in which such payment occurs,
and

$BCAP_n = \$343,000$ when $n = 1984$.

PGandE does not warrant or represent that the BCAP, as escalated, will represent its actual Costs in any given year or years. The BCAP represents a settlement between the Cotenants, does not reflect PGandE current ratemaking policy, and shall not establish a precedent with respect to any future agreement. The BCAP shall be adjusted by PGandE after consultation with the other Cotenants to reflect PGandE's estimate of any additional or reduced Costs of maintenance and operation resulting from Additions and Betterments to the Line Circuits. Disputes with respect to such additional or reduced billing amounts resulting from any Additions and Betterments shall be resolved as provided in Articles 13.0 and 15.0. The first annual billing for each Cotenant other than PGandE shall be prorated by days for the period between and including November 4, 1984 and December 31, 1984. Each calendar year thereafter, PGandE shall bill the other Cotenants annually on or before the first calendar day in June and the Cotenants shall pay the annual charge on or before the first calendar day in August. The bill for the last annual charge shall similarly be prorated for the portion of the calendar year during which this Agreement is in effect.

6.3 Billing for Capital Replacements, Additions and Betterments and Other Expenses Under This Agreement. PGandE shall bill the other Cotenants for the estimated Costs associated with a given project for Capital Replacements on the New Line, and for Additions and Betterments to the New Line or Associated Facilities pursuant to Sections 5.5 and 5.6. PGandE shall also bill the other Cotenants for other expenses payable pursuant to Article 7.0 of this Agreement. Such bills shall be based on PGandE's best estimate of the Costs of performing the work. The bill shall include a credit for the appropriate share of the estimated net salvage value of any retirements of any facilities replaced.

6.3.1 For projects with a duration of less than one month, the Cotenants shall make one lump-sum payment. PGandE shall provide an estimate of Costs to the other Cotenants at least thirty (30) calendar days before such payment is due.

6.3.2 For projects with a duration of longer than one month, PGandE shall prepare a monthly payment schedule that reflects the estimated construction or other Costs as they are

expected to be incurred. At least sixty (60) calendar days before the date on which the Cotenants other than PGandE shall be required to commence payment of any Costs, PGandE shall submit to the other Cotenants: (i) its estimate of all Costs which it will incur; and (ii) a payment schedule indicating the expected monthly Costs included in the estimate and each Cotenant's monthly share of such Costs.

6.3.3 PGandE shall bill the other Cotenants for the Costs of any Capital Replacements to the New Line required as a result of an Operating Emergency. If such Capital Replacements are to be commenced later than two (2) calendar months after the date the Operating Emergency began, the provisions of Section 6.3.2 shall apply. Otherwise, PGandE shall bill the other Cotenants for their proportional share of such Costs as soon as practicable after the work is completed.

6.3.4 The Cotenants shall pay each amount specified in the estimate described in Section 6.3.2 on or before the first of the month for which PGandE expects to pay each such amount.

6.3.5 Within a reasonable time after the completion of the project, PGandE shall provide the other Cotenants with the final accounting of the Costs of the project. As part of such final accounting, PGandE shall adjust the Cost estimate provided in Section 6.3.1 or 6.3.2 as necessary to reflect any difference between the estimated and actual Costs of such project. PGandE shall submit a final statement to the other Cotenants specifying the payment or refund required. All adjustments shall accrue an interest charge at the rate specified in Section 6.6 from the date the final estimated payment was due to the date the adjustment is paid.

6.3.6 PGandE may agree to conduct studies under Article 7.0 on a flat-fee basis.

6.4 Payment of Bills. Except as otherwise provided in this Agreement, all bills shall be due and payable within thirty (30) calendar days of receipt of the bill. If any Cotenant believes there are any errors in the determination of such Costs, such Cotenant shall pay the full amount of such Costs without offset or reduction. Bills that are not paid

in full by the due date shall thereafter accrue an interest charge from the date the payment is due until the date such payment is received. The interest charge shall be compounded monthly based on the unpaid amount of the bill at an interest rate equal to the applicable first of the month reference rate as specified in Section 6.6 plus two (2) percentage points per annum, or the maximum rate permitted by law, whichever is less.

6.5 Right to Review. Up to one calendar year after receipt of the final accounting under Section 6.3.5, the Cotenants shall have the right pursuant to Section 16.10 to review the supporting documents upon which the Costs billed under Section 6.3 are determined. Disputes under Articles 5.0 and 6.0 will be resolved pursuant to Articles 13.0 and 15.0.

6.6 Applicable Interest Rate. Except as provided in Section 6.4, interest will be compounded monthly, at a rate equal to the applicable first of the month reference rate, or any successor comparable interest rate, of the San Francisco main branch of the Bank of America, N.T. and S.A., San Francisco, California, or the maximum rate allowed by law, whichever is less.

6.7 Billing Disputes. Regardless of the existence of any dispute, all payments will be made in full pursuant to Section 6.4, until the dispute is resolved.

6.7.1 If any portion of a bill is disputed, the Cotenant billed shall advise PGandE, in writing, of the amount and basis for the contested portion. PGandE and the Cotenant(s) disputing the bill shall meet within thirty (30) calendar days to review the supporting documents and attempt to agree on the adjustments that may be appropriate. If agreement cannot be reached, the dispute shall be resolved pursuant to the procedures set forth in Article 13.0.

6.7.2 If the disputed amount is determined under this Agreement not to have been payable, it shall be refunded with interest, compounded monthly, at the reference rate described in Section 6.6 corresponding to the period from the date the payment was due to the date the refund is made, or at the maximum rate permitted by law during such period, whichever is less; provided, however, that if the

disputed amount is determined through arbitration to have been billed by PGandE in bad faith, it shall be refunded with interest, compounded monthly, at such reference rate plus two (2) percentage points per annum, or the maximum rate permitted by law, whichever is less.

7.0 Right of Use

7.1 Commencement of Firm Transmission Entitlement.

Each Cotenant shall have, subject to curtailments as provided in Article 8.0, a Firm Transmission Entitlement equal to its Ownership Interest in megawatts. Transmission service rights and limitations over PGandE's system beyond Lakeville or Fulton substations, if any, shall be as provided in separate Interconnection Agreements between PGandE and the other Cotenants.

7.2 Rights Associated With Firm Transmission Entitlement.

The Firm Transmission Entitlement, or portion thereof, of a Cotenant other than PGandE shall exist only on the specific Line Circuit or Other Circuit to which such Firm Transmission Entitlement, or portion thereof, is designated.

PGandE's Firm Transmission Entitlement shall consist of that undesignated portion of the capacity rating of the New Line and Line Circuits, as adjusted under Section 4.7, and the portion of the capacity rating of the New Line and Line Circuits designated under Section 10.4. Cotenants shall be entitled to use their Firm Transmission Entitlement, or portion thereof, on such Line Circuits or Other Circuits. As of the effective date of this Agreement with respect to such Cotenant and except as provided in Section 7.4, no Cotenant shall be required to pay a transmission charge for the use of its Firm Transmission Entitlement over the Line Circuits or Other Circuits up to its Ownership Interest in megawatts. No Firm Transmission Entitlement is transferrable in whole or in part to any other Line Circuit or Other Circuit unless a redesignation is made to that Other Circuit or Line Circuit, as provided in this Article 7.0. Any transmission by a Cotenant other than PGandE of energy or capacity over the Line Circuits or Other Circuits that is not using an equivalent portion of such Cotenant's Firm Transmission Entitlement shall be provided under the terms of such Cotenant's Interconnection Agreement or any other applicable transmission agreement. No Cotenant shall have the right to use the unused Firm

Transmission Entitlement of another Cotenant without such other Cotenant's prior authorization through its operating center or otherwise.

7.3 Exchange of Firm Transmission Entitlement. To the extent the Firm Transmission Entitlement of a Cotenant other than PGandE is designated to an Other Circuit or is designated from an Other Circuit to a Line Circuit, that Cotenant and PGandE shall, for operating purposes, exchange, without charge to each other, equivalent amounts of transmission capacity between such Other Circuit and the Line Circuits. That Cotenant shall continue to be financially responsible for its share of Costs of the Line Circuits and Associated Facilities, pursuant to Article 5.0, in accordance with its Ownership Interest. Except as provided in Section 7.4, the Cotenant shall not be required to pay any of the Costs of the Other Circuits. Except for exchanges pursuant to this Section 7.3, any transaction involving the transmission capacity so exchanged shall be subject to Section 2.5.

7.4 Adverse Rate Treatment. Sections 7.2 and 7.3 assume that PGandE will not receive any adverse rate treatment as a result of such arrangements. If

adverse treatment does occur, PGandE may charge any disallowance or other resulting cost or loss to other individual Cotenants (i) as appropriate to any decision imposing such treatment or (ii) in proportion to their Ownership Interests as appropriate. PGandE may thereafter charge compensatory rates taking into consideration such other Cotenants' payments for operation and maintenance. Any Cotenant charged a transmission charge under this Section 7.4 with respect to the right to use its Firm Transmission Entitlement over an Other Circuit as provided in Section 7.3 may charge PGandE an equal transmission charge for PGandE's right to use any transmission capacity on the New Line exchanged therefor.

7.5 Designation of Firm Transmission Entitlement By Cotenants Other Than PGandE. The Cotenants other than PGandE agree that the Firm Transmission Entitlement of CDWR, NCPA, and Santa Clara shall be designated initially to the following Line Circuits or Other Circuits: CDWR -- 55 MW on Other Circuit No. 2 and 110 MW on Line Circuit No. 2; NCPA -- 49.9 MW on Line Circuit No. 2; and Santa Clara -- 60.1 MW on Line Circuit No. 2. Such a Cotenant may make a request to redesignate all or a part of its

Firm Transmission Entitlement from one Line Circuit or Other Circuit to another Line Circuit or Other Circuit, or to designate any increased Firm Transmission Entitlement it may receive as a result of any Addition and Betterment under Section 10.2, by submitting its request in writing to PGandE. Such Cotenant may make such a redesignation or designation only to a given Line Circuit or Other Circuit which has, connected to it, a powerplant(s) owned or operated by such Cotenant; except that to the extent that such Cotenant's total Firm Transmission Entitlement exceeds the total generating capacity which such Cotenant has connected to the Line Circuits and Other Circuits, such Cotenant may make such a redesignation or designation to a given Line Circuit or Other Circuit in excess of the generating capacity of such powerplant(s) or to a Line Circuit or Other Circuit which does not have, connected to it, a powerplant owned or operated by such Cotenant. Such Cotenant shall not be entitled to any such redesignation until at least thirty (30) calendar days after such request. No Cotenant's Firm Transmission Entitlement may be redesignated in whole or in part at its request more often than twice during each calendar year unless mutually agreed by PGandE and the requesting Cotenant.

7.6 Reimbursement Of Costs For Redesignations Initiated By Cotenants Other Than PGandE. If PGandE determines that it is necessary to study the possible effects of a redesignation described in Section 7.5, the requesting Cotenant shall pay all Costs of such study pursuant to Section 6.3 and PGandE's decision on the redesignation shall be delayed until the study is completed. PGandE shall complete such study within 180 calendar days of its receipt of the written redesignation request. If PGandE determines that the redesignation should be approved, the requesting Cotenant shall pay the other Cotenants' resulting Costs, including but not limited to any Costs of additional reconnections to balance line loadings, but excluding the Cost of lost generation. If the Firm Transmission Entitlement is redesignated from a Line Circuit to an Other Circuit, then the provisions of Section 7.3 shall apply. If a reconnection is required as a result of the redesignation, the provisions of Section 7.8 shall apply. Billing and payment of any Costs shall be pursuant to Section 6.3.

7.7 Right to Provide Transmission Service. A Cotenant may use its Firm Transmission Entitlement to provide transmission service for others as provided

in Sections 2.4 and 2.5, subject to the provisions of this Agreement.

7.8 Reconnections and Redesignations Initiated By PGandE. Except as provided in other agreements between a Cotenant and PGandE, PGandE, as operator, may change the point of connection of a Cotenant's powerplant and/or redesignate all or a part of a Cotenant's Firm Transmission Entitlement from one Line Circuit or Other Circuit to another Line Circuit or Other Circuit in order best to provide for transmission of electric energy. PGandE shall have the right to redesignate all or a portion of the Firm Transmission Entitlement of a Cotenant other than PGandE only when it determines that such action is required as a result of: (i) the proposed new interconnection of a powerplant or unit to a Line Circuit or Other Circuit; (ii) the derating or retiring of an existing powerplant or unit connected to a Line Circuit or Other Circuit; or (iii) a request by a Cotenant other than PGandE to reconnect or redesignate under Sections 7.5, 7.9 or 7.10.

7.8.1 PGandE shall notify the members of the Coordinating Committee of any proposed reconnections or redesignations in advance of

their implementation; provided that in the event of a reconnection or redesignation required for repair, Operating Emergency, or other compelling operating purposes, PGandE shall (i) take whatever action it deems prudent and necessary, subject to the provisions of this Agreement and in accordance with Good Utility Practice, to preserve or maintain the safety, integrity and operability of the transmission system in the Service Area, and (ii) restore the system to its original configuration as soon as practicable after the occurrence that precipitated the need for the change has terminated.

7.8.2 PGandE agrees to reasonably minimize interference with transmission from other Cotenants' powerplants when reconnections are being made pursuant to Sections 7.8 and 7.9. Except during an Operating Emergency, PGandE shall coordinate line outages for reconnections with the other Cotenants and shall notify their operators regarding the specific lines involved and the times they must be cleared.

7.8.3 Except as provided in Sections 7.6, 7.8.5, and 7.11, PGandE shall pay the full Cost of any reconnection under this Section 7.8, excluding the Cost of lost generation.

7.8.4 PGandE shall notify the members of the Coordinating Committee when it determines that the powerplant of a Cotenant other than PGandE is being studied for reconnection or redesignation and solicit their comments regarding the assumptions and parameters of its study of such reconnection or redesignation. Whenever PGandE proposes to reconnect any other Cotenant's powerplant or to redesignate such Cotenant's Firm Transmission Entitlement, it must submit its justification for the proposed reconnection/redesignation plan, together with a cost estimate for the proposed work, to the members of the Coordinating Committee for review. The study submitted shall contain: a drawing showing the proposed reconnections including the specific circuits involved; a physical description of the reconnections; and a tentative schedule for the reconnections. The Committee shall have thirty (30) calendar days to review the study.

7.8.4.1 When practicable; PGandE's submittal to the Coordinating Committee shall be made before such reconnection/redesignation plan is submitted to any regulatory body for approval and with sufficient time allowed for the additional review provided in Section 7.8.5.

7.8.4.2 The Coordinating Committee shall only have the right to review such justification with respect to a proposed plan in which a powerplant operated by a Cotenant other than PGandE will be reconnected, or the Firm Transmission Entitlement of a Cotenant other than PGandE will be redesignated, from one Line Circuit or Other Circuit to another Line Circuit or Other Circuit. The Cotenants, whether through the Coordinating Committee or otherwise, shall only have the right to review any such studies that involve reconnecting powerplants or redesignating the Firm Transmission Entitlement of a Cotenant other than PGandE.

7.8.4.3 In the event that PGandE proposes to reconnect a powerplant that is connected to a Line Circuit or Other Circuit to which all or a portion of the Firm Transmission Entitlement of a Cotenant other than PGandE is designated, PGandE shall redesignate the associated Firm Transmission Entitlement when making such reconnection, provided that, if PGandE determines that sufficient firm transmission capability is available, the Cotenant to be reconnected shall have the right to redesignate the associated Firm Transmission Entitlement to a given Line Circuit or Other Circuit that has, connected to it, a powerplant owned or operated by such Cotenant, up to the generating capacity of such powerplant.

7.8.4.4 In the event that PGandE proposes to redesignate all or a portion of the Firm Transmission Entitlement of a Cotenant other than PGandE without making a concurrent

reconnection, PGandE may redesignate only up to the amount of the generating capacity of any powerplant owned or operated by such Cotenant that is connected to the Line Circuit or Other Circuit to which such redesignation is made. PGandE may redesignate such Firm Transmission Entitlement in excess of the generating capacity of such powerplant(s) only to the extent that such Cotenant's total Firm Transmission Entitlement exceeds the total generating capacity which such Cotenant has connected to the Line Circuits or Other Circuits.

7.8.4.5 If a Cotenant's Firm Transmission Entitlement is redesignated to an Other Circuit under this Section 7.8.4, the provisions of Section 7.3 shall apply.

7.8.5 When a Cotenant other than PGandE has a powerplant proposed for reconnection, or Firm Transmission Entitlement proposed for

redesignation, under Section 7.8.4, any Cotenant(s) affected by such a reconnection or redesignation shall have the right to object to the reconnection/redesignation plan. Such Cotenant(s) must formally present its (or their) objections in writing to the members of the Coordinating Committee before the end of the 30-day period specified in Section 7.8.4.

7.8.5.1 The objecting Cotenant(s) shall have ninety (90) calendar days from the date it (they) submits its (their) notice of objection to the Coordinating Committee to jointly prepare a study that supports one alternative plan which includes, but is not limited to, the allocation among the objecting Cotenant(s) of the increased or decreased Costs described in Section 7.8.5.4. Such an alternative plan may be a recommendation not to take any action.

7.8.5.2 The study for an alternative reconnection plan shall contain: a drawing showing the proposed

reconnections under the alternative plan, including the specific circuits involved; a physical description of the reconnections; a tentative schedule for the reconnections; and a cost estimate for the work. The study for an alternative redesignation plan shall contain a detailed description of the proposed redesignation and a tentative schedule therefor. The study shall also contain a comparison of the alternative plan with the plan proposed by PGandE. The objecting Cotenant(s) may, at its (their) option, request that PGandE conduct the study of the alternative plan at the expense of the objecting Cotenant(s).

7.8.5.3 The objecting Cotenant(s) shall present its (their) single study to the Coordinating Committee before the end of the 90-day period, or the PGandE reconnection/redesignation plan shall be implemented. When the study is presented, the Cotenants shall then

have up to thirty (30) calendar days to review the alternative plan and the cost estimate.

7.8.5.4 If PGandE determines that the alternative proposed by the Cotenant(s) is feasible and consistent with Good Utility Practice, PGandE shall implement that alternative, subject to the conditions set forth in Section 7.8.6. The Cotenant(s) offering the alternative plan shall pay any net increase in Costs resulting from the fact that the alternative is implemented rather than PGandE's plan proposed under Section 7.8.4. Such increased Costs shall include, but not be limited to, the Costs of transmission planning or engineering studies conducted by PGandE to support the alternative before regulatory bodies, any Costs of additional reconnections to balance line loadings that would not have been required under PGandE's plan, and any increased transmission line losses

suffered by PGandE. Such increased Costs shall exclude, however, the Cost of lost generation. The Cotenants offering the alternative plan shall reach agreement with PGandE on any sharing of Costs and the billing and payment provisions no later than thirty (30) calendar days before payment is required to commence pursuant to Section 6.3. If any portion of a Cotenant's Firm Transmission Entitlement is redesignated to an Other Circuit under this Section 7.8.5, the provisions of Section 7.3 shall apply to such portion. If PGandE determines that the alternative plan is infeasible, PGandE shall, after presenting supporting material to the Coordinating Committee, have the right to implement its plan proposed under Section 7.8.4.

7.8.6 The provisions of Section 7.8.5 shall not apply if the California Energy Commission, the California Public Utilities Commission, or

any successor agency requires, through order, condition or other official action, that PGandE implement a specific reconnection plan.

7.8.7 Nothing in this Agreement shall compel any Cotenant to connect any of its facilities to any circuit that is not operated by PGandE.

7.9 Reconnections Initiated by Cotenants Other Than PGandE Involving Circuits Operated By PGandE. Except as provided in Section 7.12, if a Cotenant other than PGandE wishes to change its point of connection for one of its powerplants from one Line Circuit or Other Circuit to another Line Circuit or Other Circuit, and PGandE and the Coordinating Committee determine that the change should be made, the Cotenant may request that PGandE do so at the Cotenant's expense subject to Section 7.11. Such Cotenant shall give adequate advance written notice to allow PGandE to study the effects of such proposed reconnection. PGandE shall complete such study within 180 calendar days after its receipt of written notice.